

METHOD AND SYSTEM FOR SETTING AN OPTIMAL RESERVE PRICE
FOR AN AUCTION

ABSTRACT

5 One embodiment of the present invention provides a method and
system that computes the optimal level of the reserve price for an auction, with
respect to a multiplicity of possible evaluation criteria that the end user of the
system may specify. In one embodiment, structural elements characterizing the
auction situation are estimated from bid data available on past auctions. The
10 estimated structural elements are then used in the formulation of the user's
expected payoff as a function of the reserve price. This objective function is then
optimized to obtain the best level of the reserve price. In one embodiment, this
method is implemented by a process executed on a computer system, under
the control of software and firmware directing the operation of its processors and
15 components. In one embodiment, a computer readable medium causes a
computer system to execute the steps in a process for implementing the
method.